

Message Text

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ACTION ITC-01

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
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R 201824Z APR 78
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC 6142
INFO SAO PAULO 1957

LIMITED OFFICIAL USE SECTION 1 OF 2 RIO DE JANEIRO 1885

E.O. 11652: N/A
TAGS: ETRD, BR, OVIP (ABLONDI)
SUBJECT: ITC COMMISSIONER ABLONDI ADDRESSES CENTER FOR FOREIGN
TRADE STUDIES

REF: STATE 90015

SUMMARY:

1. ON APRIL 18, 1978, ITC COMMISSIONER ITALO ABLONDI
SPOKE AT A SEMINAR SPONSORED BY THE CENTER FOR FOREIGN
TRADE STUDIES (CENCEX). IN ATTENDANCE WERE REPRESENTA-
TIVES OF MAJOR INDUSTRIAL SECTORS, INCLUDING TEXTILES,
SHOES, AUTOMOTIVE PARTS, SCISSORS AND SHEARS, AND
SPECIALTY STEEL -- ALL OF WHICH ARE SUBJECTS OF VARIOUS
ANTI-DUMPING QUESTIONS. THE COMMISSIONER GAVE A BRIEF
DESCRIPTION OF THE ORGANIZATION AND OPERATING PROCEDURE
OF THE ITC, HIGHLIGHTING THE AREAS IN WHICH ITC HAS
AUTHORITY. THIS WAS FOLLOWED BY AN EXTENSIVE QUESTION
AND ANSWER PERIOD IN WHICH MR. ABLONDI ADDRESSED
NUMEROUS BRAZILIAN CONCERNS OF BOTH GENERAL AND SPECIFIC

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CONTENT. THE PRINCIPAL INTEREST EXPRESSED BY THE
BRAZILIAN BUSINESSMEN WAS THE IMPACT ON SUBSIDIZED
BRAZILIAN EXPORTS OF THE TERMINATION OF THE WAIVER
CLAUSE FOR COUNTERVAILING DUTIES WHICH TAKES EFFECT
JANUARY 1, 1979. THE PRESENTATION WAS WELL RECEIVED BY
THE BRAZILIAN INDUSTRIALISTS AND MR. ABLONDI EFFEC-
TIVELY CONVEYED USG PROCEDURES REGARDING A NUMBER OF

MAJOR TRADE ISSUES. THE SEMINAR WAS FOLLOWED BY A BRIEF SESSION WITH THE BRAZILIAN PRESS AND A LUNCHEON WITH SEMINAR PARTICIPANTS. END SUMMARY.

2. AFTER A BRIEF INTRODUCTION IN WHICH THE GENERAL ORGANIZATION AND AREAS OF COMPETENCE OF THE ITC WERE DESCRIBED, COMMISSIONER ABLONDI OPENED THE FLOOR TO QUESTIONS FROM ATTENDING INDUSTRIALISTS AND CENCEX OFFICIALS. THE FIRST QUESTION RAISED THE COUNTERVAILING DUTY NOW IN EFFECT AGAINST BRAZILIAN SCISSOR AND SHEAR EXPORTS. AS DESCRIBED BY THE MAJOR BRAZILIAN FIRM IN THIS SECTOR, THE EFFECT OF THE U.S. COUNTERVAILING DUTY HAS BEEN TO DIVERT TRADE FROM BRAZILIAN TO EUROPEAN SOURCES, WITH NO BENEFIT TO U.S. DOMESTIC PRODUCERS. ACCORDING TO THE BRAZILIAN PRESENTATION, BRAZILIAN EXPORTS TO THE U.S. FELL 39 PERCENT TO \$1.2 MILLION IN 1977, AND THERE HAS BEEN A REDUCTION IN EMPLOYMENT OF 400 PERSONS. HOWEVER, THIS REDUCTION OF BRAZILIAN EXPORTS -- CUTTING THEIR SHARE OF THE U.S. MARKET FROM 10 PERCENT IN 1976 TO 5 PERCENT IN 1977 -- WAS REPLACED BY INCREASED EXPORTS FROM TRADITIONAL TRADING PARTNERS IN EUROPE (ITALY, FINLAND, SWITZERLAND AND THE FRG), WHILE U.S. PRODUCERS RECEIVED NO EFFECTIVE RELIEF. THIS CASE PROMPTED CENCEX PRESIDENT MARCUS PRATINI DE MORAIS TO MAKE THE GENERAL ASSERTION THAT U.S. TRADE LAW SERVED MORE TO PROTECT LIMITED OFFICIAL USE

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TRADITIONAL TRADING RELATIONSHIPS THAN IT DID TO RELIEVE THE PROBLEMS OF U.S. DOMESTIC PRODUCERS.

3. WHILE NOTING THAT COUNTERVAILING DUTY CASES WERE THE RESPONSIBILITY OF THE U.S. TREASURY, COMMISSIONER ABLONDI EXPLAINED THE USG POSITION, STRESSING THAT THERE WAS NO INTENTION TO DISCRIMINATE AGAINST EMERGING EXPORTERS IN THE THIRD WORLD VIS-A-VIS TRADITIONAL TRADING PARTNERS. ALSO IN CONNECTION WITH THE COUNTERVAILING DUTY ISSUE, CENCEX SUPERINTENDENT CELSO PASTORE SAID THAT AN INJURY CLAUSE SHOULD BE ADDED TO THIS LAW IN ORDER TO AVOID SUCH INADVERTENT SUPPORT OF TRADITIONAL SUPPLIERS.

4. IN REFERENCE TO GSP, PASTORE ALSO CRITICIZED THE LIMIT (CURRENTLY U.S. \$33.4 MILLION) FOR COMPETITIVE NEED EXCLUSIONS AND THE IMPRECISION OF PRESENT GUIDELINES BY WHICH U.S. INTERESTS CAN PETITION THE EXCLUSION OF GOODS FROM THE GSP LIST. ADMITTING THAT 75 PERCENT OF BRAZILIAN EXPORTS ARE ELIGIBLE FOR GSP, PASTORE STRESSED THAT MANY BRAZILIAN FIRMS, PARTICULARLY SMALLER-SIZED FIRMS, ARE

RELUCTANT TO ENTER THE U.S. MARKET AGGRESSIVELY DUE TO FEAR THAT THEY WILL BE MET WITH OPPOSITION FROM U.S. DOMESTIC PRODUCERS EITHER THROUGH PETITIONS FOR EXCLUSION FROM GSP OR MORE DIRECT TRADE RELIEF VIA ESCAPE CLAUSE OR COUNTERVAILING DUTY ACTION. IN THIS CONNECTION, IT WAS ALSO SUGGESTED THAT THE USG ESTABLISH A FORUM IN WHICH FOREIGN INTERESTS COULD DEFEND THEIR POSITION ON TRADE DISPUTES. THIS CONCEPT WAS HIGHLIGHTED IN PRESS REPORTS THE FOLLOWING DAY, INWHICH THE PRESIDENT OF A MAJOR TEXTILE FIRM, LAERTE SETUBAL, STRESSED THE NEED FOR A MORE EFFECTIVE BRAZILIAN EXPORTERS LOBBY IN WASHINGTON. (SETUBAL IS ALSO PRESIDENT-ELECT OF THE U.S.-BRAZIL BUSINESS COUNCIL, TO REPLACE PRATINI, SO HIS VIEW MAY BE OF SPECIAL LIMITED OFFICIAL USE

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INTEREST.)

5. REFERRING TO THE ZENITH CASE PENDING BEFORE THE SUPREME COURT CONCERNING THE NATURE OF COUNTERVAILING ACTIONS, PRATINI EMPHASIZED THE FUNDAMENTAL DIFFERENCE HE PERCEIVED BETWEEN SUCH EFFORTS TO COMBAT SALES AT LESS THAN FAIR VALUE AND U.S. CONCERNS RE BRAZILIAN SUBSIDIES. IN HIS VIEW, THE ZENITH CASE SOUGHT TO ENJOIN A LOWERING OF DOMESTIC PRICES IN THE U.S., WHICH WOULD DAMAGE U.S. PRODUCERS. IN THE CASE OF BRAZILIAN SUBSIDIES, HOWEVER, HE STRESSED

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ACTION ITC-01

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
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R 201824Z APR 78
FM AMCONSUL RIO DE JANEIRO
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INFO SAO PAULO 1958

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THAT BRAZILIAN FIRMS ENTERED THE U.S. MARKET AT WORLD PRICES, THEREBY CAUSING NO INJURY TO U.S. FIRMS THROUGH PRICE SHIFTS. HE VIEWED THE SUBSIDIES STRICTLY AS A DEVICE TO ENLARGE BRAZILIAN FIRMS' OUTPUT WHICH, IN TURN, WOULD ALLOW REALISTIC INTERNATIONAL MARKETING BUT WHICH WOULD NOT ADVERSELY EFFECT U.S. DOMESTIC PRODUCTION.

6. COMMISSIONER ABLONDI USED THE EXAMPLE OF JAPANESE COLOR TV EXPORTS TO THE U.S. TO COUNTER ALLEGATIONS OF GROWING U.S. PROTECTIONISM. HE NOTED THAT THE U.S. IMPORTED FROM JAPAN 1.2 MILLION TV SETS IN 1975 -- A LEVEL WHICH JUMPED TO 2.9 MILLION SETS IN 1976. THESE LEVELS FAR EXCEEDED U.S. DEMAND AND RESULTED IN A STANDING INVENTORY OF 1.2 MILLION SETS, FORCING DOWN THE U.S. MARKET PRICE. GIVEN THESE PREDATORY JAPANESE MARKETING TECHNIQUES, ABLONDI EXPLAINED, THERE WAS EVERY REASON TO REACT TO PROTECT U.S. MANUFACTURERS. HE SAID THAT OTHER NATIONS WOULD SURELY HAVE REACTED TO SUCH ACTIONS MORE QUICKLY AND IN A MORE RESTRICTIVE WAY.

7. PRATINI ALSO STRESSED THE IMPORTANCE OF FOREIGN TRADE TO BRAZILIAN DEVELOPMENT. HE EXPRESSED THE VIEW THAT U.S. TRADE

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LAW DISCRIMINATED AGAINST EMERGING EXPORTERS (SUCH AS BRAZIL) IN FAVOR OF ESTABLISHED TRADING RELATIONSHIPS AMONG THE DEVELOPED NATIONS. HE ADDED THAT SUCH DISCRIMINATION CAUSES NOT ONLY SPECIFIC PROBLEMS IN CERTAIN SECTORS BUT ALSO A GENERAL PSYCHOLOGICAL IMPEDIMENT TO EFFORTS BY BRAZILIAN FIRMS TO PENETRATE THE U.S. MARKET. BECOMING EVEN MORE GENERAL IN SCOPE, PRATINI NOTED THE IMPORTANCE OF BRAZILIAN FOREIGN TRADE TO ITS OVERALL SOCIAL, POLITICAL AND ECONOMIC DEVELOPMENT, ASKING COMMISSIONER ABLONDI TO PLEASE CLARIFY "WHAT BRAZIL IS DOING WRONG" SO THAT TRADE BETWEEN THE TWO NATIONS COULD EXPAND WITHOUT THE HINDRANCE OF RESTRICTIVE U.S. ACTIONS. THE COMMISSIONER REPLIED IN GENERAL TERMS, EXPRESSING THE USC'S DESIRE TO FIND WAYS TO ACCOMMODATE DOMESTIC PRESSURES WITH INTERNATIONAL CONCERNS.

8. CGMMNT: IN BOTH THE SEMINAR AND THE FOLLOWING LUNCHEON, COMMISSIONER ABLONDI'S REMARKS WERE WELL RECEIVED BY THE BRAZILIANS. PRESS REPORTS THE FOLLOWING DAY CONVEYED THEIR SENSE OF FRUSTRATION, HOWEVER, THAT HE COULD NOT BE MORE SPECIFIC ON QUESTIONS REGARDING COUNTERWAILING DUTY CASES WHICH ARE UNDER TREASURY JURISDICTION. NONETHELESS, OUR CONVERSATIONS INDICATE THAT MOST WERE SATISFIED WITH ABLONDI'S

OPENNESS AND ABILITY TO EXPLAIN THE COMPLEXITIES OF THE U.S.
TRADE POLICY FRAMEWORK.

9. EMBASSY CONCURS.
DEXTER

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Message Attributes

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